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Arizona Corporation Commission

THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK
CHAIRMAN
JAMES M. IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

IN THE MATTER OF THE APPLICATION)
OF U S WEST COMMUNICATIONS, INC.,)
A COLORADO CORPORATION, FOR A)
HEARING TO DETERMINE THE EARNINGS)
OF THE COMPANY, THE FAIR VALUE OF)
THE COMPANY FOR RATEMAKING)
PURPOSES, TO FIX A JUST AND)
REASONABLE RATE OF RETURN THEREON)
AND TO APPROVE RATE SCHEDULES)
DESIGNED TO DEVELOP SUCH REVIEW)

DOCKET NO. T-01051B-99-0105

COMMISSION STAFF'S REPLY
TO U S WEST'S RESPONSE TO
THE MOTION OF THE
COMMISSION STAFF FOR AN
ORDER DIRECTING THE
COMPANY TO UPDATE ITS
SCHEDULES

On January 21, 2000, the Arizona Corporation Commission ("Commission") Staff filed a Motion requesting an order directing U S WEST Communications, Inc. ("U S WEST" or "Company") to update its schedules in this case to reflect more current operating data. On February 4, 2000, the Company filed its response in opposition to the Commission Staff's Motion. Commission Staff hereby submits this reply in response to U S WEST's opposition.

U S WEST states that Staff's Motion should be rejected because it will result in unduly burdensome discovery and a significant delay of these proceedings. U S WEST Response at p. 1. U S WEST states that Staff's statement that "the case could still be completed by year-end" is simply incorrect. U S WEST Response at p. 2. U S WEST also states that it will need no less than two months to collect data, update its schedules, and file amended testimony. Id. at p. 2. U S WEST finally expresses concern over the additional discovery that would be required if the Commission granted the Staff's Motion. Id. at p. 2.

The Commission Staff pointed out in its Motion that without a test year update, the existing test year will be approximately two and one-half years old at the time this case is decided. The Commission's rules require an applicant to utilize the most recent data practicable for the end of its test year. See A.A.C. R14-2-103(A)(3)(p). Because of events beyond the parties' and Hearing

1 Officer's control, the case will not be decided within a year as contemplated by the rules, but rather
2 will be completed much later. It is particularly important that the most current financial data be
3 utilized if the Commission is considering a form of alternative regulation for the Company.

4 Having said this, the Commission Staff is also cognizant that, if the Company is
5 required to update its test year, fairness dictates that the case be decided as expeditiously as possible.
6 Toward this end, the Staff has attached as Exhibit A, what Staff believes to be a feasible schedule
7 for completion of this case by year-end. Commission Staff has consulted with the Company, RUCO,
8 AT&T Communications of the Mountain States, Inc. ("AT&T"), and MCI Worldcom, Inc., on
9 behalf of its regulated subsidiaries ("MCIW"), regarding the proposed schedule. Both AT&T and
10 MCIW stated that they do not object to Staff's proposed schedule. The Company and RUCO,
11 however, have indicated that they have concerns with the proposed schedule. Nonetheless, Staff
12 believes that the concerns identified by both U S WEST and RUCO can be worked out. Staff
13 suggests that as part of its Order, the Commission require parties to stipulate to areas where updated
14 data may not be required and where the use of existing data would suffice. For instance, Staff does
15 not believe a new LEAD-LAG study would be required with an updated test year. There are other
16 areas as well on which agreement could conceivably be reached among the parties to use existing
17 data which will reduce the amount of additional time and resources needed for the Company to file
18 updated schedules, for parties to do additional discovery and to make any necessary modifications
19 to their testimony.

20 Additionally, Staff is limiting its request to an update to the Company's revenue
21 requirement schedules and financial data (including supporting workpapers) to reflect more current
22 operating data. Staff is not asking U S WEST to update its entire prefiled case. In other words, the
23 Staff is not seeking a Commission order directing the Company to file additional direct testimony
24 or the submission of revised tariff schedules, although the Company would be free to file such data
25 if so desired.

26 The Commission, however, should not delay in ordering the Company to update its
27 schedules at this time to reflect a December 1999 year end test period. The Depreciation Docket will
28 not be resolved for another month. In addition, US WEST will need additional time after that to

1 update its schedules to incorporate the new depreciation rates ordered by the Commission.
2 Thus, if an update is ordered at this time, the only delay that will actually occur will be due to the
3 additional discovery that will be necessary; however, as already indicated, some discovery will not
4 be necessary if the Commission orders parties to stipulate to use existing data where feasible.


5 In addition, Staff suggests that this would also be an appropriate point for the parties
6 to stipulate to the treatment of certain updated post test-year transactions or events. For instance,
7 given the magnitude of the proposed transfer by US WEST of approximately 38 high cost wire
8 centers (or approximately 154,000 access lines) to Citizens Utilities Rural Company ("Citizens"),
9 the Staff believes an adjustment should ultimately be made for this transaction.

10 WHEREFORE, the Staff requests that the Commission issue an order directing the
11 Company to update its test year to year-end December, 1999. Staff requests expedited resolution
12 of its Motion, including expedited oral argument, if deemed necessary.

13 RESPECTFULLY SUBMITTED this 18th day of February, 2000.

14 ARIZONA CORPORATION COMMISSION

15
16 By


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22 The original and ten copies of the foregoing
23 "Commission Staff's Reply to U S WEST's
24 Response to the Motion of the Commission
25 Staff for an Order Directing the Company
26 to Update its Schedules" were filed this
27 18th day of February, 2000, with:

28 ...
Docket Control
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1 Copies of the foregoing were mailed this 18th
2 day of February, 2000, to:

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29 By: Monica A. Marting
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PROPOSED RATE CASE SCHEDULE*

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| 4/14 | Updated Test Year Provided by U S WEST |
| 6/30 | Staff/Intervenor Direct/Exhibits |
| 7/31 | Applicant Rebuttal |
| 8/25 | Staff/Intervenor Surrebuttal |
| 9/5 | Applicant Rejoinder |
| 9/14 | Hearing |
| 10/20 | Post Hearing Briefs |
| 11/1 | Reply Briefs |
| 12/1 | Recommended Order |
| 12/13 | Open Meeting |

*Contemplates a discovery turn-around of 7 business days.